

Message Text

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ACTION EB-11

INFO OCT-01 AF-10 ARA-16 EUR-25 EA-11 ADP-00 CIAE-00

DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00 NSC-10 PA-03

RSC-01 PRS-01 SS-15 USIA-15 INT-08 GSA-01 OEP-01

AID-20 CIEP-02 TRSE-00 STR-08 OMB-01 CEA-02 RSR-01

COME-00 FRB-02 XMB-07 OPIC-12 LAB-06 SIL-01 /214 W

----- 123356

R 021631Z AUG 73

FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC 599

INFO AMEMBASSY BANGKOK

AMEMBASSY CANBERRA

AMEMBASSY JAKARTA

AAMEMBASSY KINSHASA 20

AMEMBASSY KUALA LUMPUR

AMEMBASSY LAGOS

AMEMBASSY LONDON

C O N F I D E N T I A L SECTION 1 OF 2 LA PAZ 4702

DEPT PASS WHITE HOUSE

E.O. 11652: GDS

TAGS: EMIN, PFOR, BL

SUBJ: GSA TIN STOCKPILE SALES

REF: STATE 107666 JUNE 5

1. EMBASSY HAS RECEIVED NOTE DATED JULY 27, 1973 FROM GOB FONMIN (UNDER SEC CESPEDDES) EXPRESSING GOB'S CONCERN AT THE RATE AT WHICH GENERAL SERVICES ADMINISTRATION HAS BEEN SELLING TIN. TEXT OF LETTER FOLLOWS:

2. BEGIN TEXT: FOLLOWING UPON MY NOTE (GS/259/31) OF LAST JUNE 12, BY WHICH I COMMUNICATED TO YOU THE CONCERN OF THE
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GOVERNMENT OF BOLIVIA OVER THE SERIOUS AND DAMAGING CON-

SEQUENCES WHICH COULD RESULT TO THE BOLIVIAN ECONOMY AS A RESULT OF THE CLOSURE OF THE OPERATIONS OF THE BRITISH COMPANY WILLIAMS HARVEY, AS WELL AS BY THE SALES OF STRATEGIC RESERVES OF TIN BY THE GENERAL SERVICES ADMINISTRATION, IT IS INCUMBENT UPON ME TO REITERATE THAT CONCERN SINCE THE LATTER INSTITUTION, UP TO THIS MOMENT, HAS PLACED IN THE INTERNATIONAL MARKET ALMOST THE ENTIRETY OF THE 6,500 TONS OF TIN WHICH HAD BEEN FIXED AS THE QUOTE FOR THE PRESENT YEAR.

3. IN EFFECT, THE GSA HAS ACHIEVED THE SALE OF 1,500 TONS OF TIN WHICH HAD BEEN PROPOSED DURING THE FIRST 26 DAYS OF JUNE AND ITS MONTHLY QUOTA OF 820 TONS WHOLLY IN THE FIRST THREE DAYS OF THE MONTH OF JULY: THESE SALES HAVE BEEN REALIZED AT PRICES LOWER THAN THOSE CURRENT IN THE PENANG MARKET, IN CLEAR CONTRADICTION TO THE ASSURANCES OF THE AMERICAN GOVERNMENT THAT THE INTERVENTION OF THE GSA DID NOT SEEK TO DAMAGE THE MARKET.

4. THE ABOVE HAS AWAKENED WITHIN THE INTERNATIONAL TIN COUNCILS AND AMONG ITS MEMBER COUNTRIES OR WHICH MY COUNTRY IS ONE, THE FEAR THAT THE GSA WILL INCREASE ITS SALES OF TIN, CAUSING GRAVE DAMAGE TO THE INTERESTS OF THE COUNTRIES PRODUCING THIS METAL. ALTHOUGH IT IS CLEAR THAT, RECENTLY, THE PRICE OF TIN HAS RISEN IN THE WORLD MARKET, THIS DOES NOT SIGNIFY AN INCREASE IN CONSUMPTION BUT RATHER THAT (THE PRICE) IS MORE RESPONSIVE TO THE APPARENT DEMAND CAUSED BY INTERNATIONAL MONETARY PROBLEMS AND BY THE CLOSURE OF WILLIAMS HARVEY.

5. IT WOULD BE APPRECIATED IF YOU WOULD TRANSMIT TO THE COMPETENT AUTHORITIES OF YOUR COUNTRY THE CONCERN OF THE GOVERNMENT OF BOLIVIA REGARDING THE FOREGOING AS WELL AS HER CONFIDENCE IN THE PROMISES EXPRESSED BY THE SAME AUTHORITIES, IN THE SENSE OF NOT INCREASING THIS YEAR'S QUOTA. I TAKE ADVANTAGE OF THIS OPPORTUNITY TO REITERATE TO YOU THE ASSURANCES OF MY HIGHEST CONSIDERATION. END TEXT.

6. COMMENT: REFTEL IS TEXT OF LETTER FROM PRESIDENT
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NIXON TO PRESIDENT BANZER SAYING THAT THE USG WOULD SELL 1,500 TONS OF TIN DURING FY 1973, 5,000 TONS DURING THE FIRST HALF OF FY 74, AND 5,000 TONS DURING THE SECOND HALF OF FY 74. THE GOB HAS TAKEN THIS STATEMENT AS A COMMITMENT.

7. IT IS NO SECRET HERE OR IN WASHINGTON THAT THE MATTER OF GSA TIN STOCKPILE SALES IS A HIGHLY CHARGED POLITICAL ISSUE HERE AND ONE THAT HAS BEEN INTERMITTENTLY A COM-

PLICATING AND FRUSTRATING FACTOR IN OUR RELATION WITH BOLIVIA FOR NEARLY A DECADE. WE REALIZE THAT CURRENT USG SALES POLICY IS DESIGNED TO MODERATE (I.E., LOWER) PRICES AND THAT THE IMPACT TO DATE HAS NOT HAD THIS EFFECT. NEVERTHELESS, BANZER ALMOST CERTAINLY UNDERSTANDS PRESIDENT NIXON'S LETTER AS A COMMITMENT BY US NOT TO EXCEED 10,000KS TONS PER ANNUM AND THAT SHOULD THE NEED FOR SUBSEQUENT CONSULATIONS WITH BOLIVIA ARISE, THESE WOULD BE WITH VIEW TO REDUCING THIS FIGURE, NOT INCREASING IT.

8. A USG DECISION TO INCREASE OUR TIN DISPOSALS ABOVE THE 10,000 TON FIGURE FOR THE REMAINDER OF FY 1974, IN THE ABSENCE OF GENUINELY MEANINGFUL PRIOR CONSULATIONS WITH THE GOB, WOULD BE REGARDED HERE AS A BREACH OF FAITH, PURE AND SIMPLE. BANZER'S POLITICAL POSITION IS, AS WE SEE IT AT THIS TIME, RELATIVELY STRONG, BUT BY NO MEANS UNASSAILABLE AS REGARDS THE TIN SALES ISSUE. ON THIS ISSUE HE CAN IF PROVOKED BY THE INEVITABLE POLITICAL PRESSURES HERE, DO NO LESS THAN ANY OF HIS PRECECESSORS, TO WIT, STATE PUBLICLY THAT

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C O N F I D E N T I A L SECTION 2 OF 2 LA PAZ 4702

OUR TIN SALES, AT A MINIMUM, CARRY THE GRAVE RISK OF DAMAGING BOLIVIA'S ECONOMY. THAT NEITHER HE NOR OTHERS IN THE GOB HAVE DONE SO SINCE TIN SALES BEGAN IN JUNE OF THIS YEAR IS DUE IN PART TO THE GOOD STATE OF OUR RELATIONS WITH BOLIVIA, BUT PROBABLY IN LARGER PART TO THEIR BELIEF THAT WE WILL ADHERE TO THE 10,000 TON FIGURE. AT A TIME WHEN PLANS ARE MOVING FORWARD FOR PRESIDENT BANZER'S STATE VISIT (WE HAVE JUST RECEIVED DEPTTEL 91086 PROPOSING OCTOBER 16), IT IS USEFUL TO RECALL THAT VICTOR PAZ ESTENSSORO CANCELLED HIS PROJECTED 1962 STATE VISIT BECAUSE OF US TIN SALES. ALTOGETHER, WE BELIEVE THAT ANY UPWARD REVISION IN THE 10,000 TON FIGURE AT THIS TIME WOULD BE MOST INOPPORTUNE AND UNWISE.
BREWIN

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